Worksheet to Calculate Approximate Drug Costs Under Medicare Reform Plan

Congress recently passed a complex bill to reform Medicare. Congressman Solomon Ortiz created the following formula for individual seniors to approximate how the bill will affect them, given their specific financial profile. This formula is as specific as the information available. The calculations in this worksheet are based on how the plan will likely affect seniors beginning in 2006.

This worksheet is based on 2003 prices; we do not account for inflation, price increases, or other factors. So whatever out-of-pocket costs the formulas here estimate for seniors, the actual cost will likely be much higher. Those who now qualify for Medicaid, but not Medicare, will not be affected by this plan. Those who currently qualify for Medicaid AND Medicare will follow the same procedure as all other Medicare recipients to determine their drug coverage.

SENIOR PROFILE:

(Seniors need the following information in order to perform later calculations):

Income and total drug costs

Annual income—either for single individual or for couple	
Annual drug costs—not amount seniors pay out of their own pockets, but the actual total costs of all their drugs	

If annual income is below $13,470 for a single, or $18,180 for a couple, seniors will need the following information:

Assets	**Value**
Value of all financial accounts, including checking, savings, certificates of deposits (CDs), and stocks	
Value of household items, including, furniture, clothing, jewelry, books, exercise equipment (*not including wedding rings, engagement rings or medical equipment*)	
Values of all cars, trucks, tractors, RVs, boats (not including specialized handicap vehicles)	
Value of life insurance policies, both face value and cash surrender value	
Amount set aside for burial expenses	
Value of any real estate that is not used for primary residence	

Rx Drugs:	**Number**
Number of ***generic*** drug prescriptions used each year	
Number of ***brand name*** prescriptions used each year	

Instructions:

- **Singles**

If annual income is less than $13,470, go to the Assets Test on p.3 - if total assets are above $13,470; proceed to the Rx Drug Formula chart on this page.

- **Couples**

If annual income is less than $18,180, then turn to the Assets Test on p.3 - if total assets are above $18,180, proceed to the Rx Drug Formula on this page.

Rx Drug Formula Chart:

Singles	Couples
If annual income is **less than $8,980** and **assets are less than $6,000**, then go to Formula A on p.4	If annual income is **less than $12,120** and **assets are less than $8,000**, then go to Formula A on p.4
If annual income is **between $8,980 and $12,123** and **assets are less than $6,000** then go to Formula B on p.4	If annual income is **between $12,120 and $16,362**, and **assets are less than $8,000**, then go to Formula B on p.4
If annual income is **between $12,123 and $13,470** and **assets are less than $10,000**, then go to Formula C on p.4	If annual income is **between $16,362 and $18,180** and **assets are less than $20,000**, then go to Formula C on p.4
If annual income is **above $13,470**, then go to Formula D on p.4	If **annual income is above $18,180**, then go to Formula D on p.4

ASSETS TEST

(Estimation - All amounts should be approximate)

Add the following:

Financial Accounts: *Includes*: checking, savings, stocks, CDs (held solely or jointly)	$
Household Items: *Includes*: furniture, clothing, jewelry, books etc. *Exclude*s: wedding ring, engagement ring, medical equipment – also excludes $2,000 of total value	+ $ -$2,000 (if amount is positive)
Vehicles: *Includes*: cars, trucks, boats, RVs, tractors. *Excludes* $1,500 of value of main vehicle and total value of specialized handicap vehicles	+ $ -$1,500 (if amount is positive)
Life Insurance: If face value if above $1,500, then count the cash surrender value	+ $
Burial Expenses: *Includes* funds set aside for purposes of burial, e*xcludes* the first $1,500 of this amount	+ $ -$1,500 (if amount is positive)
Real Estate: *Includes* any real estate that is not primary residence	+ $
TOTAL ASSETS: =	$

DETERMINING WHICH FORMULA TO USE:

Singles	Couples
If **income is below $12,123 and assets are less than $6,000**, then go to Rx Drug Formula Chart on p.2	If **income is below $16,362 and assets are less than $8,000**, then go to Rx Drug Formula Chart on p.2
If **income is below $12,123 and assets are above $6,000**, then go to Formula D on p.4	If **income is below $16,362 and assets are above $8,000**, then go to Formula D on p. 4
If **income is between $12,123 and $13,470 and assets are less than $10,000**, then go to Rx Drug Formula Chart on p.2	If **income is between $16,362 and $18,180 and assets are less than $20,000**, then go to Rx Drug Formula Chart on p.2
If **income is between $12,123 and $13,470 and assets are above $10,000** then go to Formula D on p.4	If **income is between $16,362 and $18,180 and assets are above $20,000**, then go to Formula D on p.4

FORMULAS TO DETERMINE OUT-OF-POCKET Rx DRUG COSTS TO SENIORS:

FORMULA A:

NEED FOLLOWING INFORMATION:

- Number of generic drug prescriptions used each year
- Number of brand name prescriptions used each year

(# of generic drugs X $1) + (# of brand name drugs X $3) = ANNUAL COSTS

FORMULA B:

NEED FOLLOWING INFORMATION:

- Number of generic drug prescriptions used each year
- Number of brand name prescriptions used each year

(# of generic drugs X $2) + (# of brand name drugs X $5) = ANNUAL COSTS

FORMULA C:

NEED FOLLOWING INFORMATION:

- Annual cost of all prescription drugs (total drug costs, not seniors' out-of-pocket costs)

- If total annual drug costs are *less than $23,670* per year,
  [(Drug Costs - $50) X (0.15)] + $50 = ANNUAL COSTS **
- If total annual drug costs are *more than $23,670* per year,
  [(Drug Costs - $23,670) X (0.05)] + $3,600 = ANNUAL COSTS **

***In addition to these costs, seniors will pay an unknown amount in premiums per year*

FORMULA D:

NEED FOLLOWING INFORMATION:

- Annual cost of all prescription drugs (total drug costs, not seniors' out-of-pocket costs)

- If total annual drug costs are *less than $5,100* per year,
  [(Drug Costs - $250) X (0.25)] + $250 = ANNUAL COSTS **
- If total annual drug costs are *more than $5,100* per year,
  [(Drug Costs - $5,100) X (0.05)] + $3,600 = ANNUAL COSTS **

***In addition to these costs, seniors could pay between $420 and $2,400 in premiums per year*